

ESSENTIAL INFORMATION FOR FORM ST-501 (Rev. 7/31/12)

Please **read carefully** and **keep this information** in a convenient place for future reference.

INTRODUCTION

The South Carolina Department of Revenue requires taxpayers to report sales taxes on Form ST-501 for sales of durable medical equipment and related supplies under the following conditions:

1. The purchase must be paid directly by funds of South Carolina or the United States under the Medicaid or Medicare programs.
2. State or federal law or regulation authorizing the payment must prohibit the payment of the sale or use tax.
3. The durable medical equipment and related supplies must be sold by a provider who holds a South Carolina retail sales license and whose principal place of business is located in South Carolina.

Any retailer subject to a local sales and use tax must report sales on the Form(s) ST-501 and ST-389, if applicable.

If you're receiving the Form ST-501 and not making sales of durable medical equipment and related supplies under above conditions, you should contact the Department of Revenue to be provided with the appropriate forms.

Form ST-501 is preprinted with your:

- Business Name
- Address
- Retail License Number or Purchaser's Certificate (Use Tax Registration)
- Federal Employer Identification Number
- Period covered

Please draw a line through any incorrect information, enter corrections and check box on your return. If it is necessary to use a blank form, be sure to indicate the information listed above or other identifying information (social security number).

FILING REQUIREMENTS

If you have a retail license or use tax registration, you are required to file a tax return even if there is no tax due for the period. **When filing "No Sales" returns, please enter zeroes on lines 1, 3, 9 and 11 only on the ST-501 Form. See Business Tax Telefile instructions for filing zero returns/electronically.**

FORMS TO FILE

Form ST-501 (Sales, Use, and Durable Medical Equipment and Related Supplies Tax Return)

This form should be used for reporting the following taxes:

- Sales and Use Tax
- Tax on Durable Medical Equipment and Related Supplies
- Local Taxes

ST-389 (Schedule for Local Taxes) This form is used to report the appropriate local sales and use tax to a jurisdiction (county or municipality, etc.) and the tribal sales tax based upon sales or deliveries within the jurisdiction.

The following taxes are required to be reported on the Form ST-389:

- Capital Project
- Catawba Tribal
- Education Capital Improvement
- Local Option
- School District
- Tourism Development
- Transportation

Local Sales Tax

SC Law allows the imposition of various types of local sales and use taxes. Some are administered by the Department of Revenue on behalf of the counties, municipalities, school districts and the Catawba Indian Tribal Government. However, some local taxes (Local Accommodations and Hospitality Tax) are collected directly by the counties and are not reported on the Form ST-389. The form ST-389 is used to report local taxes collected by the Department by county and municipality or only by county or only by municipality.

If your business is located in a local jurisdiction (county, municipality, etc.) that is imposing a local tax in addition to the State's Sales and Use Tax, Form ST-389 must be filed with the appropriate state sales and use tax return (i.e., ST-501) even if the local tax due is zero. The zero **must be placed** beside the appropriate county or jurisdiction code on Form ST-389.

If your business is collecting and reporting another county's or jurisdiction's local taxes, Form ST-389 is required to be filed to designate the appropriate amount of local tax that goes to a county or jurisdiction. For information relating to circumstances in which a retailer must remit a county's or jurisdiction's tax, see the ST-389 instructions or visit our website www.sctax.org to obtain a current copy of the Department's Advisory Opinions which discuss the types of local taxes imposed and exemptions allowed under each local tax.

Catawba Tribal Sales – See chart on back of ST-389 for further explanation

The Tribal Sales Tax is imposed on the delivery of tangible personal property onto the reservation by retail locations in South Carolina when the sale is greater than \$100. If the sale (delivery on the reservation) is \$100 or less, then the Tribal Sales Tax does not apply and only the 6% State sales tax applies (not local taxes). The Tribal Sales Tax is also imposed on the delivery of tangible personal property on the reservation by retail locations

located on the reservation, regardless of the amount of the sale. The Tribal Sales Tax is not imposed on deliveries onto the reservation by retail locations located outside of South Carolina and registered with the Department to collect the State tax; however, these deliveries are subject to the 6% state use tax (not local taxes).

Sales subject to the Catawba Tribal Sales Tax must be included with all other sales in gross proceeds on Line 1 of worksheet on the applicable state sales and use tax return (i.e., ST-3, ST-388, ST-403, ST-455 or ST-501) but are deducted on the allowable deduction line (s) of the state sales and use return worksheet. The sales are also included on line 1 of the ST-389 local tax worksheet. Remember, individual sales made onto the reservation of \$100 or less by retailers located off the reservation are subject to the State sales tax and would not be deducted in this manner.

WHEN TO FILE

Sales tax returns are due on or before the twentieth (20th) day of the month following the close of the period covered. You must file a tax return for every tax reporting period, even if no tax is due for the period. This will keep your account current and prevent you from receiving delinquent notices.

For example:

Monthly filers: (Return must be received/postmarked by the 20th)

- January reporting period - submit return no later than February 20.
- February reporting period - submit return no later than March 20.
- March reporting period - submit return no later than April 20, etc.
- December reporting period - submit no later than January 20 (of the next year).

Quarterly Filers: (Return must be received/postmarked by the 20th)

- First Quarter (January, February, March) reporting period - no later than April 20.
- Second Quarter (April, May, June) reporting period - no later than July 20.
- Third Quarter (July, August, September) reporting period - no later than October 20.
- Fourth Quarter (October, November, and December) reporting period - no later than January 20 (of the next year).

Annual Filers: (Sales for the entire year)

The December return must be received/postmarked no later than January 20 (of the next year).

Seasonal Filers: Seasonal filers are required to file returns only for those months scheduled to be reported. Returns must be received/postmarked no later than the 20th of the next month.

To request a change in your filing status (monthly, quarterly, annual, or seasonal) a written request to the South Carolina Department of Revenue is needed.

If the return is not filed and/or any taxes due are not paid by the twentieth day of the month due, no taxpayer discount will be allowed, and the return is considered delinquent; applicable penalties and interest must be calculated and paid, or an assessment will be issued.

CHANGE IN OWNERSHIP

Any change in ownership will require a new application for retail license. The new ownership will be required to complete a Business Tax Application, Form SCTC-111 and remit the appropriate fee.

CHANGE OF LOCATION

Any change of location will require written notification be sent to the Department of Revenue by submitting Form SC8822 or visit our website: www.sctax.org and look under Business One Stop.

CLOSING YOUR BUSINESS

When closing or selling your business you are required by South Carolina law to **return your Sales and Use Tax license** to the South Carolina Department of Revenue indicating the date of closing. You must file all returns and pay all taxes due. Complete enclosed Form C-278 when closing your business. If you sell your business, the new owner will not be issued a new license until taxes due for that location have been paid.

CLAIM A REFUND (ST-14): NO CREDITS

If you have overpaid your sales/use tax on your return, you should file a claim for refund in the form of a letter or by using the form ST-14, Claim for Refund, and file amended (corrected) figures for the periods requested. **Do not take a credit on the sales and use tax return for any overpayments.** The claim for refund should specify: The name, address, and telephone number of the taxpayer or contact person; the appropriate taxpayer identification number (s); the tax period or date for which the tax was paid; the nature and kind of tax paid; the amount which is claimed as erroneously paid; a statement of facts and documentation supporting the refund position; a statement outlining the reasons for the claim, including any law or other authority upon which you rely; and, any other relevant information that the Department may reasonably require.

STEP-BY-STEP INSTRUCTIONS FOR ST-501

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Please read this section before completing your form.

If you have a retail license or use tax registration you are **required to file** a tax return **even** if there is **NO TAX DUE** for the period.

WHEN FILING "NO SALES" RETURNS, please enter zeroes on lines 1, 3, 9 and 11 only on the ST-501.

COMPLETE THE SALES AND USE TAX WORKSHEET ON THE BACK OF THE ST-501 BEFORE MAKING ENTRIES ON LINES 1 THROUGH 18.

IMPORTANT: If it is determined that no entry is needed on a line, PLEASE LEAVE LINE BLANK. Do not write on the lines that do not pertain to you.

All entries must be typed or hand printed. If using a **non-preprinted form**, see the introduction section under **Essential Information** for form ST-501 for instructions.

The sales tax (6%), tax on durable medical equipment and related supplies (reduced to 1.75% from 3.5% effective July 1, 2012), and local taxes must be separately reported on the appropriate tax forms.

STEP 1

COMPLETING THE SALES AND USE TAX WORKSHEET #1

LINES 1 through 6

Line 1 Gross Proceeds of Sales/Rentals and Withdrawals for Own Use:

Enter the total amount of all sales (taxable and nontaxable), leases and/or rentals made by the business for the reporting period. Nontaxable sales are to be itemized on line 4 and deducted on line 5. **DO NOT INCLUDE THE AMOUNT OF SALES TAX COLLECTED. Do not include your sales of durable medical equipment and related supplies paid by funds of the State or United States under the Medicare or Medicaid program.**

You must also report purchases of tangible personal property (merchandise, equipment, etc.) purchased tax free at wholesale, but used by you and/or your employees.

Line 2 Out-of-State Purchases Subject to Use Tax:

Enter the total purchases of tangible personal property purchased from an out-of-state retailer for use, storage, or consumption in this state if an equal or greater amount of sales tax or use tax was not paid in the other state at the time of purchase. If the tax rate in your county is greater than the tax rate paid out-of-state, contact SCDOR for additional information.

Line 3 Total:

Add lines 1 and 2. Enter total here and on Line 1 on the front of ST-501. If local tax is applicable, enter this amount on line 1 of ST-389 worksheet.

Line 4 Sales and Use Allowable Deductions:

The state sales and use tax law provides several deductions (exemptions and exclusions) for sales and use tax purposes. There are full and partial deductions for the state sales and use tax. Before any deductions may be itemized (claimed) on your state sales and use tax return, the gross proceeds of sales must be reported on the state tax return (ST-501) worksheet (lines 1 and 2). To claim a deduction on this section of the ST-501 return, it should be listed on line 4 by the type of deduction and the dollar amount.

The list below is used to identify some of the items that may be shown as a deduction. Any amount claimed as a deduction on your return must be itemized on the worksheet.

Examples of Allowable Deductions: (Not all inclusive)

Sales for resale

Out-of-state sales

Exemptions:

Manufacturing

Agriculture

Federal Government

Medicine and prosthetic devices **(by prescription)**

Diabetic Supplies **(by written authorization)**

Gasoline sales

Installation charges **(separately stated on invoice)**

Trade-ins

Excess over tax cap

Manufactured Home **(35% of exemption)**

Food purchased with food stamps

Sales tax holiday exempt sales

1% tax reduction for purchases made by individuals age 85 or older

(1% tax reduction does not apply to local tax calculations)

Unprepared food eligible to be purchased w/USDA food coupon

(local tax applies if not specifically exempted by local tax)

Note: Sales that are exempt from the state sales and use tax rate are generally exempt from the local tax rate. However, it is important to note that certain amounts itemized as a state sales tax deduction on line 4 and subtracted on line 5 of the state tax return worksheet (reverse side of ST-501) may be subject to a local tax since the local tax may not specifically provide such an exemption.

For instance: 1% of the state sales tax and use rate for individuals age 85 and older is excluded from the state sales and use tax calculations. Therefore, an amount which is equivalent to 1% of gross proceeds of sales to such an individual is allowed as a deduction from gross proceeds of sales for state sales and use tax purposes. However, the total amount (gross proceeds of sale) of such a sale is subject to all applicable local sales and use taxes since the local taxes have no such exemption.

See ST-389 instruction for additional information if local taxes are applicable.

You are required to maintain records that will support all deductions claimed on this return. **A further explanation of deductions is available by obtaining a copy of the South Carolina Sales and Use Tax Code of Laws by contacting the Department's Main Office, the Taxpayer Service Centers or visit our website: www.sctax.org>Law and Policy**

Line 5 Total Amount of Deductions:

Enter total of Column B here and on line 2 on front of ST-501.

Line 6 Net Sales and Purchases:

Line 3 minus line 5 should agree with line 3 on front of ST-501.

STEP 2

CALCULATION OF 6% SALES AND USE TAX ON FRONT OF ST-501

IMPORTANT: If it is determined that no entry is needed on a line, PLEASE LEAVE LINE BLANK. Do not write on the lines that do not pertain to you.

Line 1 Gross Proceeds of Sales, Rentals and Withdrawals for Own Use: Enter the gross proceeds of sales, leases and/or rentals of tangible personal property, withdrawals, and purchases subject to use tax. Do not include sales of durable medical equipment and related supplies. Enter the total from line 3 of your worksheet. Do not include sales tax collected in this amount.

Line 2 Total Amount of Deductions: Enter the total amount of deductions from line 5 of your worksheet (reverse side of your return).

Line 3 Net Taxable Sales: Subtract line 2 from line 1.

Line 4 Tax: Multiply line 3 x 6% (.06).

Line 5 Taxpayer's Discount: A taxpayer's discount may be claimed when the return is filed and the tax due is paid in full on or before the due date of the return. **No discount** is allowed if the return or payment is received after the due date.

The discount rate is determined as follows:

If your combined tax liability (line 4 and line 12, ST-501, and line 2, Column B page 7 of 8 of ST-389) is less than \$100, the discount rate is 3% (.03) of line 4. If the total is \$100 or more, the discount rate is 2% (.02) of line 4. Deduct this amount from line 4.

Note: Discounts are not allowed to exceed \$3,000 per taxpayer (for all locations) during any one South Carolina fiscal year, which covers payments made from July 1 through June 30. This includes all returns which become due during this period (returns for June through May). The \$3,000 maximum includes the total discounts for sales/use, Durable Medical Equipment and Related Supplies, and local taxes. Taxpayers who file and pay electronically are allowed a \$3,100 maximum discount. The discount amount is \$10,000 for out-of-state retailers who cannot be required to register for sales and use tax but who voluntarily register to collect and remit the tax. However you must receive prior approval from the Department of Revenue for the \$10,000 discount.

Line 6 Sales and Use Tax Net Amount Payable: Line 4 minus 5.

Line 7 Penalty and Interest:

Enter the total of penalty and interest from calculations below or visit our website: www.sctax.org >Penalty and Interest Calculator

PENALTY FOR FAILURE TO FILE A RETURN: Five percent (.05) of the amount of tax due (from line 4 on the front of the return) for each month or fraction of a month of delinquency, not to exceed twenty-five percent (.25) of the amount of tax due.

PENALTY FOR FAILURE TO PAY TAX DUE: The penalty is one-half of one percent (.005) of the amount of tax due (the total of line 4 on the front of the return) for each month or fraction of a month of delinquency, not to exceed a total of twenty-five percent (.25) of the amount of tax due. The penalty for failure to file and pay must be combined and entered as a total on line 7.

INTEREST: Interest is assessed in accordance with Sections 6621 and 6622 of the Internal Revenue Code. Rates are based on the prime rate, subject to change quarterly and are compounded daily.

Line 8 Total Sales and Use Tax: Enter the total of lines 6 and 7.

STEP 3

COMPLETING THE DURABLE MEDICAL EQUIPMENT AND RELATED SUPPLIES WORKSHEET #2

This section is used for reporting Sales Tax on durable medical equipment and related supplies items.

- As defined under federal and state Medicaid and Medicare laws.
- Which is paid directly by funds of this State or the United States under the Medicaid or Medicare programs, where state or federal law or regulation authorizing the payment prohibits the payment of the sales or use tax; and
- Sold by a provider who holds a South Carolina retail sales license and whose principal place of business is located in this State.

If the above conditions apply, continue with instructions on line 7. If the conditions do not apply, go to step 5.

Line 7 Gross Proceeds of Sales from the Sale of Durable Medical Equipment and Related Supplies: Enter gross proceeds of sales from the sale of durable medical equipment and related supplies. Enter here and on line 9 on the front of the return. If the local tax is applicable, combine line 7 with amount on line 3 and enter total on line 1 of the ST-389 (Local Sales Tax Worksheet).

Line 8 Allowable Deductions: Enter the type of deductions in Column A and the corresponding amounts in column B, then enter the total amount of deductions here on line 8 and line 10 on front of return. A partial list of exemptions and exclusions from sales and use tax are identified under instructions to line 4 of ST-501 worksheet.

Note: You are required to maintain records that will support all deductions claimed on this return. **A further explanation of deductions is available by obtaining a copy of the South Carolina Sales and Use Tax Code of Laws by contacting the Department's Main Office, the Taxpayer Service Centers or visits our website: www.sctax.org**

Line 9 Total Amount of Deductions: (Total of Column B) Enter total amount of deductions here and on line 10 on front of return.

Line 10 Net Sales and Purchases of Durable Medical Equipment and Related Supplies: Subtract line 9 from line 7 and enter total here.

STEP 4

CALCULATION OF 1.75% TAX ON FRONT OF ST-501

Line 9 Gross Proceeds of Sales from the Sale of Durable Medical Equipment and Related Supplies: Enter the amount from line 7 of your worksheet (from the reverse side of your return). Gross Proceeds of sales of Durable Medical Equipment and Supplies includes sales of durable medical equipment and related supplies paid by funds of the state or United States under the Medicare or Medicaid program.

Line 10 Total Amount of Deductions: Enter the total from line 9 of your worksheet.

Line 11 Net Taxable Sales: Line 9 minus line 10.

Line 12 Tax Due: Multiply line 11 X 1.75% (.0175).

Line 13 Taxpayer's Discount: Use the same discount rate from line 5. (Line 12 x Discount Rate)

Line 14 Net Amount Payable: Line 12 minus line 13.

Line 15 Total Penalty and Interest: Enter the total amount of penalty and interest. See instructions for step 2, line 7.

Line 16 Sales Tax Due on Durable Equipment and Supplies: Add lines 14 and 15.

STEP 5

ENTERING TAX FROM ST-389

REMINDER: ST-389 must be completed and attached for all additional taxes. If this section does not apply, go to line 18 of the ST-501.

Line 17 Total Additional Taxes Due: Enter the total from Column D, page 7 of 8 of Form ST-389.

STEP 6

DETERMINE TOTAL AMOUNT DUE

Line 18 Total of All Taxes Due: Add lines 8, 16, and 17 and enter total on line 18.

STEP 7

SIGNATURE

Sign and date your return on the back of the ST-501.

DON'T FORGET -- Returns are past due after the 20th of the month.

If you are not using preprinted forms and it is necessary to use blank forms, be sure to include your social security number or Federal Employer Identification Number (FEIN) in the label section.

Social Security Privacy Act Disclosure

It is mandatory that you provide your social security number on this tax form. 42 U.S.C 405(c)(2)(C)(i) permits a state to use an individual's social security number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SC Department of Revenue shall provide identifying numbers, as prescribed, for securing proper identification. Your social security number is used for identification purposes.

The Family Privacy Protection Act

Under the Family Privacy Protection Act, the collection of personal information from citizens by the Department of Revenue is limited to the information necessary for the Department to fulfill its statutory duties. In most instances, once this information is collected by the Department, it is protected by law from public disclosure. In those situations where public disclosure is not prohibited, the Family Privacy Protection Act prevents such information from being used by third parties for commercial solicitation purposes.